

**The Laws of  
the People's Republic  
of China  
1993**

*Compiled by*  
the Legislative Affairs Commission of  
the Standing Committee of  
the National People's Congress of  
the People's Republic of China

**SCIENCE PRESS, BEIJING, CHINA**

## Company Law of the People's Republic of China

(Adopted at the Fifth Meeting of the Standing Committee of  
the Eighth National People's Congress on December 29, 1993  
and promulgated by Order No.16 of the President of the  
People's Republic of China on December 29, 1993  
and effective as of July 1, 1994)

### Contents

<i>Chapter I</i>	General Provisions
<i>Chapter II</i>	Incorporation and Organizational Structure of Limited Liability Companies
<i>Section 1</i>	Incorporation
<i>Section 2</i>	Organizational Structure
<i>Section 3</i>	Wholly State-owned Companies
<i>Chapter III</i>	Incorporation and Organizational Structure of Joint Stock Limited Companies
<i>Section 1</i>	Incorporation
<i>Section 2</i>	Shareholders' General Meetings
<i>Section 3</i>	Board of Directors, and Manager
<i>Section 4</i>	Supervisory Board
<i>Chapter IV</i>	Issue and Transfer of Shares of Joint Stock Limited Companies
<i>Section 1</i>	Issue of Shares
<i>Section 2</i>	Transfer of Shares
<i>Section 3</i>	Listed Companies
<i>Chapter V</i>	Company Bonds
<i>Chapter VI</i>	Financial Affairs and Accounting of Companies
<i>Chapter VII</i>	Merger and Division of Companies
<i>Chapter VIII</i>	Bankruptcy, Dissolution and Liquidation of Companies

270 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

---

<i>Chapter IX</i>	Branches of Foreign Companies
<i>Chapter X</i>	Legal Liability
<i>Chapter XI</i>	Supplementary Provisions

*Chapter I***General Provisions**

**Article 1** This Law is formulated in accordance with the Constitution of the People's Republic of China in order to meet the needs of establishing a modern enterprise system, to standardize the organization and activities of companies, to protect the legitimate rights and interests of companies, shareholders and creditors, to maintain the socio-economic order and to promote the development of the socialist market economy.

**Article 2** The term "company" as mentioned in this Law refers to a limited liability company or a joint stock limited company incorporated within the territory of the People's Republic of China in accordance with this Law.

**Article 3** A "limited liability company" or "joint stock limited company" is an enterprise legal person.

In the case of a limited liability company, shareholders shall assume liability towards the company to the extent of their respective capital contributions, and the company shall be liable for its debts to the extent of all its assets.

In the case of a joint stock limited company, its total capital shall be divided into equal shares, shareholders shall assume liability towards the company to the extent of their respective shareholdings, and the company shall be liable for its debts to the extent of all its assets.

**Article 4** The shareholders of a company shall, in their capacity of contributors of capital, enjoy such rights of owners as benefitting from assets of the company, making major decisions and selecting managerial personnel in accordance with the amount of their respective capital investment in the company.

A company shall enjoy the right to the entire property of the legal person formed by the investments of the shareholders and shall possess civil rights and bear the civil liabilities in accordance with the law.

The ownership of State-owned assets in a company shall vest in the State.

**Article 5** A company shall, with all its legal person assets, operate independently and be responsible for its own profits and losses according to law.

---

COMPANY LAW 271

A company shall, under the macro-adjustment and control of the State, organize its production and operation independently in accordance with market demand for the purpose of raising economic benefits and labour productivity and maintaining and increasing the value of its assets.

**Article 6** An internal management mechanism shall be implemented within companies, which is characterized by clear definition of powers and responsibilities, scientific management and combination of encouragement and restraint.

**Article 7** State-owned enterprises restructured to form companies must transform their operating mechanism, gradually produce an inventory of their assets and verify their funds, delimit their property rights, clear off their claims and debts, evaluate their assets and establish a standard internal management mechanism in accordance with the conditions and requirements set by laws, administrative rules and regulations.

**Article 8** Incorporation of limited liability companies or joint stock limited companies must meet the conditions stipulated by the present Law. Companies meeting the conditions set by this Law shall be registered as limited liability companies or joint stock limited companies; while companies failing to meet the conditions set by this Law shall not be registered as limited liability companies or joint stock limited companies.

Where laws or administrative rules and regulations provide that incorporation of companies must be subject to examination and approval, the procedures of examination and approval shall be completed according to law prior to the registration of such companies.

**Article 9** A limited liability company established according to this Law must clearly indicate the words "limited liability company" in its name.

A joint stock limited company established according to this Law must clearly indicate the words "joint stock limited company" in its name.

**Article 10** A company's domicile shall be the place where its main administrative organization is located.

**Article 11** Articles of association must be formulated in accordance with this Law when a company is incorporated. A company's articles of association shall have binding force on the company, its shareholders, directors, supervisors and managers.

A company's scope of business shall be defined in its articles of association and registered in accordance with the law. Items within the company's "scope of business" that are subject to restrictions under laws, administrative rules and regulations shall be approved in accordance with the law.

Companies shall engage in business activities within their registered scope of business. A company may change its scope of business by amending its articles of association in accordance with statutory proce-

272 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

---

dures and making such amendments registered with the Company Registration Authority.

**Article 12** A company may invest in other limited liability companies or joint stock limited companies and shall assume liability towards the company so invested in to the extent of such capital contributions.

In case a company, other than an investment company or a holding company as specified by the State Council, invests in other limited liability companies or joint stock limited companies, the aggregated amount of such investments shall not exceed fifty percent of its net assets; after the initial investment, the increase therein resulting from capitalization of the profit derived from the company invested in shall not be included.

**Article 13** A company may establish branches, which shall not possess the status of enterprise legal persons and whose civil liabilities shall be borne by the company.

A company may establish subsidiaries, which shall possess the status of enterprise legal persons, and shall independently bear civil liabilities according to law.

**Article 14** A company must, when engaging in business activities, abide by the law, observe professional ethics, strengthen the construction of socialist culture and ideology and accept supervision of the government and the public.

The legitimate rights and interests of companies shall be protected by the law and shall be inviolable.

**Article 15** Companies must protect the lawful rights and interests of their staff and workers, and strengthen labour protection so as to achieve safety in production.

Companies shall apply various forms to strengthen professional education and on-the-job training of their staff and workers so as to improve their quality.

**Article 16** Company's staff and workers shall, in accordance with the law, organize a trade union to carry out the trade union activities and protect the lawful rights and interests of the staff and workers. The company shall provide its trade union with conditions necessary for carrying out its activities.

Wholly State-owned companies and limited liability companies invested in and established by two or more State-owned enterprises or by two or more other State-owned investment entities shall, through staff and workers' congresses or other forms, practise democratic management in accordance with the provisions of the Constitution and relevant laws.

**Article 17** The grass-root organizations of the Communist Party of China in companies shall carry out their activities in accordance with the Constitution of the Communist Party of China.

**Article 18** The present Law shall apply to limited liability compa.

## COMPANY LAW 273

nies with foreign investment. Where laws concerning Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign-funded enterprises provide otherwise, such provisions shall prevail.

## *Chapter II*

### **Incorporation and Organizational Structure of Limited Liability Companies**

#### *Section 1* **Incorporation**

**Article 19** The following conditions must be fulfilled for the incorporation of a limited liability company:

- (1) the number of shareholders conforms to the statutory number;
- (2) the capital contributions of the shareholders reach the statutory minimum amount of capital;
- (3) the shareholders have jointly formulated the articles of association of the company;
- (4) the company has a name and an organizational structure established in compliance with the requirements for a limited liability company; and
- (5) there are fixed premises and necessary conditions for production and operation.

**Article 20** A limited liability company shall be jointly invested in and incorporated by not less than two and not more than fifty shareholders.

State-authorized investment institutions or departments authorized by the State may independently invest in and establish wholly State-owned limited liability companies.

**Article 21** If State-owned enterprises established prior to the implementation of this Law comply with the conditions stipulated in this Law for the incorporation of limited liability companies, they may, in the case of enterprises with a single investing entity, be restructured as wholly State-owned limited liability companies in accordance with this Law, or in the case of enterprises with multiple investing entities, be restructured as limited liability companies as specified in the first paragraph of the preceding Article.

The implementation procedures and specific measures for restructuring State-owned enterprises as companies shall be formulated separately by the State Council.

274 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

**Article 22** The articles of association of limited liability companies shall specify the following particulars:

- (1) the name and domicile of the company;
- (2) the scope of business of the company;
- (3) the registered capital of the company;
- (4) the names or titles of the shareholders;
- (5) the rights and obligations of the shareholders;
- (6) the method and amount of capital contributions by the shareholders;
- (7) the conditions for transfer of capital contributions by shareholders;
- (8) the organization of the company, its method of creation, functions and powers and the rules of procedure; *Q12381M*
- (9) the legal representative of the company;
- (10) the reasons for dissolution of the company and method of liquidation; and
- (11) other items which the shareholders deem necessary to be specified.

The shareholders shall sign and affix their seals to the company's articles of association.

**Article 23** The registered capital of a limited liability company shall be the amount of the paid-up capital contributions of all its shareholders as registered with the Company Registration Authority.

The registered capital of a limited liability company shall be no less than the following minima:

- (1) RMB 500 000 yuan for a company engaged mainly in production and operation;
- (2) RMB 500 000 yuan for a company engaged mainly in commodity wholesale;
- (3) RMB 300 000 yuan for a company engaged mainly in commercial retailing; and
- (4) RMB 100 000 yuan for a company engaged in science and technology development, consultancy or services.

Where the minimum registered capital of a limited liability company in specified trades needs to be higher than those stipulated in the preceding paragraph, it shall be stipulated by the laws and administrative rules and regulations separately.

**Article 24** A shareholder may make its capital contributions to a company in currency or by contributing material objects, industrial property rights, non-patented technology and land-use rights at their appraised value. The material objects, industrial property rights, non-patented technology or land-use rights to be contributed as capital must undergo an asset valuation and verification, and shall not be overvalued or undervalued.

---

COMPANY LAW 275

The appraisal and valuation of land-use rights shall be handled in accordance with the laws and administrative rules and regulations.

The investment in the form of industrial property rights and non-patented technology at their appraised value shall not exceed twenty percent of the registered capital of a limited liability company, except where special State regulations in respect of the application of high and new technological achievement provide otherwise.

**Article 25** Each shareholder shall make in full the amount of the capital contribution subscribed for under the articles of association of the company. Where a shareholder makes its capital contribution in currency, it shall deposit the full amount of such capital contribution in currency in the interim bank account opened by the limited liability company to be established. Where a shareholder makes its capital contribution in the form of material objects, industrial property rights, non-patented technology or land-use rights, the transfer procedures for the property rights shall be handled in accordance with the law.

Shareholders failing to make the capital contributions they subscribed for in accordance with the preceding paragraph shall be liable for breach of contract towards the shareholders who have made in full their capital contributions.

**Article 26** After all shareholders have made their capital contributions in full, such contributions must be verified by a statutory capital verification institution which shall issue capital verification certificates.

**Article 27** After the total capital contributions of the shareholders have been verified by a statutory capital verification institution, application shall be made to the Company Registration Authority for registration of the incorporation of the company by a representative designated by all the shareholders or by an agent jointly entrusted by them, who shall submit such documents as an application for registration, the articles of association and the capital verification certificate.

Where the examination and approval of the relevant authorities is required by the laws or administrative rules and regulations, the approval documents shall be submitted on a application for registration of incorporation.

The Company Registration Authority shall grant registration and issue a business licence to a company that meets the requirements stipulated in this Law; the Company Registration Authority shall not register a company failing to meet the requirements stipulated in this Law.

The date of the issuance of the company business license shall be the date of the incorporation of a limited liability company.

**Article 28** Where, after the incorporation of a limited liability company, it is discovered that the actual value of the material objects, industrial property rights, non-patented technology or land-use rights contributed as

276 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

capital is notably less than the value stated in the articles of association, the shareholders that made such contributions shall make up the discrepancy. Those who are shareholders at the time of the incorporation of the company shall bear joint and several liability therefor.

**Article 29** Where branches are established simultaneously with the incorporation of a limited liability company, application for registration of the branches established shall be made to, and business licences shall be obtained from, the Company Registration Authority.

Where a limited liability company establishes branches after its incorporation, the company's legal representative shall apply for the registration to, and obtain business licences from, the Company Registration Authority.

**Article 30** After a limited liability company has been incorporated, it shall issue capital contribution certificates to its shareholders.

A capital contribution certificate shall specify the following items:

- (1) the name of the company;
- (2) the registration date of the company;
- (3) the registered capital of the company;
- (4) the name or title of the shareholder, the amount and date of its capital contribution; and
- (5) the serial number of the capital contribution certificate and the date of its verification and issuance.

A capital contribution certificate shall bear the seal of the company on it.

**Article 31** A limited liability company shall prepare a roster of its shareholders with the following items therein:

- (1) the names or titles and domiciles of the shareholders;
- (2) the amounts of capital contributions of the shareholders; and
- (3) the serial numbers of the capital contribution certificates.

**Article 32** A shareholder shall have the right to look up the minutes of shareholders' meetings and the financial and accounting reports of the company.

**Article 33** Shareholders shall draw dividends in proportion to their capital contributions. Where a company increases capital, the existing shareholders shall have priority in subscription for new shares.

**Article 34** Once a company is registered, its shareholders may not withdraw their capital contributions.

**Article 35** The shareholders of a company may assign among themselves all or part of their capital contributions.

Where a shareholder intends to assign its capital contribution to persons who are not shareholders, the consent of over half of all the shareholders must be secured. Those shareholders disapproving the assignment shall purchase the capital contribution to be assigned. If such shareholders

---

COMPANY LAW 277

do not make the purchase, they shall be deemed to have consented to the assignment.

Other shareholders shall, under identical terms, have priority in purchasing the capital contribution to be assigned with the consent of the shareholders.

**Article 36** After a shareholder has assigned its capital contribution according to law, the company shall record the name or title and domicile of the consignee and the amount of the capital contribution assigned in the roster of the shareholders.

## *Section 2*

### Organizational Structure

**Article 37** The shareholders' meeting of a limited liability company shall be composed of all the shareholders. The shareholders' meeting shall be the organ of power of the company and shall exercise its functions and powers in accordance with this Law.

**Article 38** The shareholders' meeting shall exercise the following functions and powers:

- (1) to decide on the business policy and investment plan of the company;
- (2) to elect and recall members of the board of directors and to decide on matters concerning the remuneration of directors;
- (3) to elect and recall supervisors appointed from among the shareholders' representatives, and to decide on matters concerning the remuneration of supervisors;
- (4) to examine and approve reports of the board of directors;
- (5) to examine and approve reports of the supervisory board or supervisors;
- (6) to examine and approve the annual financial budget plan and final accounts plan of the company;
- (7) to examine and approve plans for profit distribution of the company and plans for making up losses;
- (8) to adopt resolutions on the increase or reduction of the registered capital of the company;
- (9) to adopt resolutions on the issuance of company bonds;
- (10) to adopt resolutions on the assignment of capital contribution by a shareholder to a person other than the shareholders;
- (11) to adopt resolutions on matters such as the merger, division, transformation, dissolution and liquidation of the company; and
- (12) to amend the articles of association of the company.

278 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

---

**Article 39** The rules of deliberation and voting procedures of the shareholders' meeting shall, except where provided for by this Law, be stipulated by the articles of association of the company.

Resolutions of the shareholders' meeting on the increase or reduction of the registered capital, the division, merger, dissolution, or transformation of the company must be adopted by shareholders of the company representing two-thirds or more of the voting rights.

**Article 40** A company may amend its articles of association. A resolution on the amendment to the articles of association must be adopted by shareholders of the company representing two-thirds or more of the voting rights.

**Article 41** Shareholders shall exercise their voting rights at the shareholders' meeting in proportion to their capital contributions.

**Article 42** The first meeting of the shareholders of a company shall be convened and presided over by the shareholder who has made the biggest capital contribution to the company and shall exercise its functions and powers in accordance with this Law.

**Article 43** Shareholders' meetings shall be divided into regular meetings and interim meetings.

Regular shareholders' meetings shall be convened on time as stipulated by the articles of association of the company. Interim shareholders' meetings may be convened upon proposal made by shareholders representing one-fourth or more of the voting rights, or, by one-third or more of directors or supervisors.

Where a limited liability company has set up a board of directors, its shareholders' meetings shall be convened by the board of directors and presided over by the chairman of the board. Where special circumstances preclude the chairman of the board from performing his function, the meeting shall be presided over by a vice-chairman or a director of the board designated by the chairman.

**Article 44** All shareholders shall be notified fifteen days prior to the convening of a shareholders' meeting.

The shareholders' meeting shall keep minutes of their decisions on matters discussed at it; the shareholders present at the meeting shall sign the minutes.

**Article 45** A limited liability company shall have a board of directors, which shall be composed of three to thirteen members.

The members of the board of directors of a limited liability company invested in and established by two or more State-owned enterprises, or by two or more other State-owned investment entities shall include representatives of the staff and workers of the company. Such representatives of the staff and workers shall be democratically elected by the staff and workers of the company.

---

COMPANY LAW 279

A board of directors shall have a chairman and one or two vice-chairmen. The method for the creation of the chairman and vice-chairmen shall be stipulated in the articles of association of the company.

The chairman of the board of directors shall be the company's legal representative.

**Article 46** The board of directors shall be responsible to the shareholders' meeting, and exercise the following functions and powers: *§§ 7-31 ff.*

(1) to be responsible for convening shareholders' meetings and to report on its work to the shareholders' meetings;

(2) to implement the resolutions of the shareholders' meetings;

(3) to decide on the business plans and investment plans of the company;

(4) to formulate the annual financial budget plan and final accounts plan of the company;

(5) to formulate plans for profit distribution and plans for making up losses of the company;

(6) to formulate plans for the increase or reduction of the registered capital of the company;

(7) to formulate plans for the merger, division, transformation and dissolution of the company;

(8) to decide on the establishment of the company's internal management organs;

(9) to appoint or dismiss the company's manager (general manager) (hereinafter referred to as "manager"), and, upon recommendation of the manager, to appoint and dismiss the company's deputy manager(s) and persons in charge of the financial affairs of the company, and to decide on matters concerning their remuneration; and

(10) to formulate the basic management system of the company.

**Article 47** The term of office of directors shall be stipulated by the articles of association of the company but may not exceed three years. A director may, if reelected upon expiration of his term of office, serve consecutive terms.

The shareholders' meeting of a company may not unwarrantedly dismiss a director of the board prior to the expiration of his term of office.

**Article 48** Meetings of the board of directors shall be convened and presided over by the chairman of the board. Where special circumstances preclude the chairman from performing his function, the meeting shall be convened and presided over by a vice-chairman or a director of the board designated by the chairman. One-third or more of the members of the board of directors may propose the convening of a meeting of the board of directors.

**Article 49** The rules of deliberation and voting procedures of the

280 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

board of directors shall, except where provided for by this Law, be stipulated by the articles of association of the company.

All directors shall be notified ten days prior to the convening of a board meeting.

The board meeting shall keep minutes of decisions on matters discussed at it; directors present at the meeting shall sign the minutes.

**Article 50** A limited liability company shall have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the company, and to organize the implementation of the resolutions of the board of directors;

(2) to organize the implementation of the annual business plans and investment plans of the company;

(3) to draw up plans on the establishment of the internal management organs of the company;

~~(4) to draw up the basic management system of the company;~~

~~(5) to formulate specific rules and regulations of the company;~~

(6) to recommend the appointment or dismissal of the deputy manager(s) and of persons in charge of the financial affairs of the company;

(7) to appoint or dismiss management personnel other than those to be appointed or dismissed by the board of directors; and

(8) other functions and powers granted by the articles of association of the company and the board of directors.

The manager shall attend meetings of the board of directors as a non-voting attendant.

**Article 51** Where a limited liability company has a small number of shareholders and is comparatively small in scale, it may have an executive director instead of a board of directors. The executive director may concurrently serve as the manager of the company.

The powers and functions of the executive director shall be stipulated by the articles of association of the company with reference to Article 46 of this Law.

Where a limited liability company does not have a board of directors, the executive director shall be the legal representative of the company.

**Article 52** A limited liability company with a relatively large-scale business shall have a supervisory board composed of no less than three members. The supervisory board shall elect a convener from among its members.

The supervisory board shall be composed of representatives of the shareholders and an appropriate proportion of the staff and workers of the company. The exact proportion shall be stipulated in the articles of associ-

## COMPANY LAW 281

ation. The representatives of the staff and workers in the supervisory board shall be democratically elected by the staff and workers of the company.

Where a limited liability company has a small number of shareholders and is comparatively small in scale, it may have one or two supervisors.

Directors, the manager or personnel in charge of financial affairs of the company may not concurrently serve as supervisors.

**Article 53** The term of office of a supervisor shall be three years. A supervisor may, if reelected upon expiration of his term of office, serve consecutive terms.

**Article 54** The supervisory board or the supervisors shall exercise the following functions and powers:

- (1) to examine the financial affairs of the company;
- (2) to supervise the acts of the directors and the manager violating the laws, administrative rules and regulations or the articles of association of the company during the performance of their functions;
- (3) to demand directors and the manager to make corrections if any of their acts is found to have damaged the interests of the company;
- (4) to propose the convening of interim shareholders' meetings; and
- (5) other functions and powers as stipulated in the articles of association of the company.

The supervisors shall attend meetings of the board of directors as non-voting participants.

**Article 55** A company shall, in studying and deciding on issues involving the personal interests of its staff and workers such as their salaries, welfare, safety in production, labour protection and labour insurance, solicit in advance the opinions of the trade union and the staff and workers of the company. And representatives of the trade union or of the staff and workers shall be invited to attend relevant meetings as non-voting participants.

**Article 56** A company shall solicit the opinions and suggestions of the trade union and the staff and workers of the company when studying and deciding on major issues concerning production and operation, and formulating important rules and regulations.

**Article 57** None of the following persons may hold the position of director, supervisor or manager of a company:

- (1) a person without capacity or with restricted capacity for civil acts;
- (2) a person who was sentenced to criminal punishment for the crime of embezzlement, bribery, seizure of property or misappropriation of property or for undermining the socio-economic order, where not more than five years have elapsed since the expiration of the enforcement period; or a person who was deprived of his political rights for committing a crime, where not more than five years have elapsed since the expiration of

*Not yet passed*

282 LAWS OF PEOPLE'S REPUBLIC OF CHINA. 1993

the enforcement period;

(3) a director, or factory head or manager who was personally responsible for the bankruptcy liquidation of the company or enterprise due to mismanagement, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation;

(4) a legal representative of the company or enterprise that had the business license revoked for violating the law, where such representative bear individual liability therefor and not more than three years have elapsed since the date of revocation of the business license; and

(5) a person with relatively large amount of personal debts that have fallen due but haven't been settled.

Where a company elects or appoints a director or supervisor or engages the manager in violation of the preceding paragraph, such election, appointment or engagement shall be invalid. ~~犯法~~

**Article 58** Government functionaries may not concurrently serve as directors, supervisors or managers of companies.

**Article 59** Directors, supervisors and the manager of a company shall comply with the articles of association of the company, faithfully perform their duties and maintain the interests of the company and shall not take advantage of their position, functions and powers in the company to seek personal gains.

Directors, supervisors and the manager of a company shall not, by taking advantage of their functions and powers, accept bribes or other unlawful incomes, nor may they misappropriate the property of the company.

**Article 60** Directors and the manager of a company shall not misappropriate company funds or lend company funds to others.

Directors and the manager shall not deposit company assets in their own personal accounts or in personal accounts of other individuals.

Directors and the manager shall not use company assets as security for the personal debts of shareholders of the company or of other individuals.

**Article 61** Directors and the manager shall not operate their own in, or operate for others, the same category of business as the company they are serving or, engage in activities which damage the interests of the company. If a director or the manager engages in such business or activities, the incomes derived therefrom shall belong to the company.

Directors and the manager shall not enter into contracts or conduct transactions with the company except as provided for in the articles of association or approved by the shareholders' meeting.

**Article 62** Directors, supervisors and the manager shall not disclose any company secrets except as provided for by the law or approved by the shareholders' meeting.

---

COMPANY LAW 283

**Article 63** Directors, supervisors and the manager shall be liable for compensation, if they violate the laws, administrative rules and regulations or the articles of association in performance of their duties and thus cause damage to the company.

*Section 3*  
**Wholly State-owned Companies**

**Article 64** A wholly State-owned company mentioned in this Law means a limited liability company invested in and established solely by the State-authorized investment institution or a department authorized by the State.

Companies which manufacture special products as determined by the State Council or companies that belong to the category of specialized trades shall adopt the form of wholly State-owned companies.

**Article 65** The articles of association of a wholly State-owned company shall be formulated by the State-authorized investment institution or a department authorized by the State in accordance with this Law, or be formulated by the board of directors of the company and submitted for the approval of the relevant State-authorized investment institution or the department authorized by the State.

**Article 66** A wholly State-owned company shall not have a shareholders' meeting. The State-authorized investment institution or the department authorized by the State shall authorize the board of directors of the company to exercise part of the functions and powers of the shareholders meeting and to make decisions on important matters of the company. However, the merger, division, dissolution, increase and reduction of capital, and issuance of company bonds must be decided by the State-authorized investment institution or by the department authorized by the State.

**Article 67** The State-authorized investment institution or the department authorized by the State shall exercise supervision and administration over the State-owned assets of the wholly State-owned company in accordance with the provisions of the laws and administrative rules and regulations.

**Article 68** A wholly State-owned company shall have a board of directors, which shall exercise its functions and powers in accordance with the provisions of Article 46 and Article 66 of this Law. Each term of office of the board of directors shall be three years.

The board of directors shall be composed of three to nine members, who shall be appointed and replaced by the State-authorized investment institution or by the department authorized by the State in accordance

## 284 LAWS OF PEOPLE'S REPUBLIC OF CHINA, 1993

with the term of office of the board of directors. The board of directors shall include representatives of the staff and workers of the company. The representatives of the staff and workers on the board of directors shall be democratically elected by the staff and workers of the company.

The board of directors shall have a chairman and may have a vice-chairman, if necessary. The chairman and vice-chairman shall be designated by the State-authorized investment institution or the department authorized by the State from among members of the board of directors.

The chairman of the board of directors shall be the legal representative of the company.

**Article 69** A wholly State-owned company shall have a manager, who shall be engaged and dismissed by the board of directors. The manager shall exercise his functions and powers in accordance with the provisions of Article 50 of this Law.

A member of the board of directors may, subject to the consent of the State-authorized investment institution or the department authorized by the State, serve concurrently as manager.

**Article 70** The chairman, vice-chairman and directors of the board, or the manager of a wholly State-owned company may not, without the consent of the State-authorized investment institution or the department authorized by the State, serve concurrently as responsible persons in other limited liability companies, joint-stock limited companies or other business organizations.

**Article 71** Where a wholly State-owned company transfers its assets, the procedures for examination and approval, and the transfer of property rights shall be handled by the State-authorized investment institution or the department authorized by the State in accordance with the laws and administrative rules and regulations.

**Article 72** Large-sized wholly State-owned companies with a sound business management system and relatively successful operations may be authorized by the State Council to exercise the rights of asset owners.

### *Chapter III*

#### **Incorporation and Organizational Structure of Joint Stock Limited Companies**

##### **Section 1**

###### **Incorporation**

**Article 73** To incorporate a joint stock limited company, the following conditions must be satisfied:

**Decision of the Standing Committee of the National People's Congress**

**Concerning the Amendment to the Company Law of the People's Republic  
of China**

Promulgation date: 12-25-1999

Effective date: 12-25-1999

Department: STANDING COMMITTEE OF THE NATIONAL PEOPLE'S  
CONGRESS

Subject: COMPANIES & ENTERPRISES

---

**Presidential Decree of the People's Republic of China**

(No. 29)

The Decision of the Standing Committee of the National People's Congress Concerning the Amendment to the Company Law of the People's Republic of China, which was adopted by the thirteenth session of the Standing Committee of the Ninth People's Congress on December 25, 1999, is hereby promulgated, and the amended Company Law of the People's Republic of China and the Decision shall come into effect as of the date of promulgation.

Jiang Zemin  
President of the People's Republic of China  
December 25, 1999

**Decision of the Standing Committee of the National People's Congress Concerning the  
Amendment to the Company Law of the People's Republic of China**

(Adopted by the thirteenth session of the Standing Committee of the Ninth People's Congress on December 25, 1999.)

The thirteenth session of the Standing Committee of the Ninth People's Congress has examined the bill of the State Council concerning the Amendment to the Company Law of the People's Republic of China (Draft) and has come to the decision that the Company Law of the People's Republic of China shall be amended as follows:

1. Article 67 shall be amended as: "The board of supervisors of a solely state-owned company shall be comprised mainly of the members designated by the State Council or the organs or departments authorized by the State Council and shall include representatives of the staff and workers. There shall be no less than three members in the board of supervisors. The board of supervisors shall exercise the powers as stipulated in items 1 and 2 of clause 1, Article 54 and other powers prescribed by the State Council." "The supervisors attend the meeting of the board

of directors as non-voting members." "Directors, the manager and financial officers shall not serve concurrently as supervisors."

2. A clause shall be supplemented as Clause 2 of Article 229: "The proportion of industrial property and non-patented technology contributed by the promoters as investment in the registered capital of a joint stock limited company that belong to the high and new technology industry and the conditions for the issuance of new shares and the conditions for the application to become a listed company shall be separately prescribed by the State Council."

The Company Law of the People's Republic of China as amended in accordance to this decision shall be promulgated anew.

Supporting eligible high and new technology joint stock limited companies to enter the securities market for direct financing will contribute to the development of the high and new technology industry. The high and new technology joint stock limited companies shall, in attracting funds for development through the capital market, stick to the industrial policies of the state and shall be eligible for the conditions of the high and new technology industry. The exchange of listed stocks within the separately organized exchange system shall be carried out in accordance with the characteristics of the high and new technology joint stock limited companies. With regard to the lack of experience in this work and the risks, this work shall be carried out in a planned, step-by-step, active but steady way.

This decision shall be implemented as of the date of promulgation.